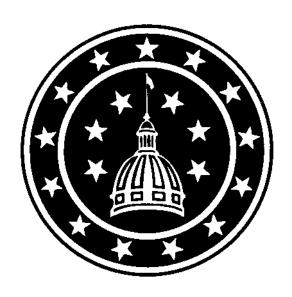
ANNUAL REPORT OF THE INTERIM STUDY COMMITTEE ON INSURANCE



Indiana Legislative Services Agency 200 W. Washington Street, Suite 301 Indianapolis, Indiana 46204

October, 2012

INDIANA LEGISLATIVE COUNCIL 2012

Senator David Long Speaker Brian Bosma

Vice-Chairperson Chairperson

Fort Wayne Indianapolis

Senator Vi Simpson Representative Linda Lawson

Bloomington Hammond

Senator Brandt Hershman Representative Kathy Richardson

Buck Creek Noblesville

Senator Patricia Miller Representative William Friend

Indianapolis Macy

Senator Brent Steele Representative Eric Turner

Bedford Cicero

Senator James Merritt Representative Timothy Brown

Indianapolis Crawfordsville

Senator James Arnold Representative Vanessa Summers

LaPorte Indianapolis

Senator Timothy Lanane

Anderson

John M. Ross Executive Director Legislative Services Agency

INTERIM STUDY COMMITTEE ON INSURANCE

Membership Roster

Senators

Representatives

James Smith, Vice-Chairperson Charlestown Matthew Lehman, Chairperson Berne

Travis Holdman Markle Robert Heaton Terre Haute

Greg Taylor Indianapolis

Charlie Brown Gary

Frank Mrvan Hammond Phil GiaQuinta Fort Wayne

Staff

Ann Naughton
Attorney for the Committee

Bill Brumbach Fiscal Analyst for the Committee

Stephanie Wells Fiscal Analyst for the Committee

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at http://www.in.gov/legislative/.

I. STATUTORY DIRECTIVE

In 2011, the Indiana General Assembly enacted IC 2-5-33.3 establishing the Committee to "study insurance in Indiana as follows:

- (1) Issues determined by the chairperson of the committee.
- (2) Issues assigned by the legislative council.
- (3) Issues regulated under IC 27.
- (4) Worker's compensation insurance.".

The Legislative Council did not assign to the Committee any additional subject matter for study during the 2012 interim.

II. INTRODUCTION AND REASONS FOR STUDY

Current Indiana law contained in IC 27 governs regulation of insurance companies (including worker's compensation insurance companies) doing business in Indiana and insurance-related matters affecting Indiana residents. Additionally, IC 22 regulates Indiana's worker's compensation system.

The Committee was established to facilitate the study of insurance-related issues that require more extensive study than is feasible during a session of the General Assembly, and to annually report its findings and recommendations for any proposed legislation to the Legislative Council.

III. SUMMARY OF WORK PROGRAM

The Committee met four times during the 2012 interim.

First Meeting

The first meeting of the Committee was held as a joint meeting with the Health Finance Commission on September 19, 2012. The Committee considered testimony concerning the following:

- (1) Implementation of the federal Patient Protection and Affordable Care Act in Indiana.
- (2) Tobacco harm reduction.

Second Meeting

The second meeting of the Committee was held on September 25, 2012. The Committee considered testimony concerning worker's compensation insurance in Indiana.

Third Meeting

The third meeting of the Committee was held on October 10, 2012. The Committee considered the following:

- (1) Comparison of Indiana's worker's compensation benefits and costs with those of other states.
- (2) A report of negotiations concerning a worker's compensation insurance hospital reimbursement rate methodology.
- (3) Captive insurance company formation in Indiana.

Fourth Meeting

The fourth meeting of the Committee was held on October 23, 2012. The Committee considered its final report to the General Assembly.

IV. SUMMARY OF TESTIMONY

Minutes and attachments containing more detailed information concerning the Committee's 2012 interim work may be found at http://www.in.gov/legislative/interim/

The Committee heard testimony from representatives of the following groups:

- (1) Consolidated Insurance Services, Inc.
- (2) FAIRPAY Solutions.
- (3) Indiana Chamber of Commerce.
- (4) Indiana Compensation Rating Bureau.
- (5) Indiana Family and Social Services Administration.
- (6) Indiana Hospital Association.
- (7) Insurance Institute of Indiana.
- (8) Indiana Manufacturers Association.
- (9) Milliman.
- (10) Reynolds American.
- (11) University of Louisville.
- (12) Worker's Compensation Board of Indiana.

Implementation of the federal Patient Protection and Affordable Care Act (PPACA) in Indiana

The Committee heard testimony concerning steps taken by the Administration toward compliance with PPACA, including the Medicaid expansion and health insurance exchange provisions.

The members raised questions and received information concerning a Medicaid extension in the form of the Healthy Indiana Plan, federal tax credits and health insurance tax, the high risk provisions of PPACA, and essential health benefits under PPACA.

Tobacco harm reduction

The Committee heard testimony concerning smokeless tobacco as an alternative to smoking.

Worker's compensation insurance issues in Indiana

The Committee heard testimony concerning the following:

- (1) Worker's compensation cost containment and benefits, particularly with respect to the current hospital reimbursement methodology.
- (2) The history and current state of worker's compensation in Indiana, including the statutory structure, number of licensed insurers, and comparisons of rates, benefits, claims, and costs with other states.
- (3) Functions of the Worker's Compensation Board of Indiana, including differences between hospital reimbursement claims and other provider reimbursement claims.
- (4) Possible solutions to hospital reimbursement rate methodology issues.

Captive insurance company formation in Indiana

The Committee heard testimony concerning captive insurance companies, their purpose, potential benefits if authorized for formation in Indiana, and the need for scrutiny by a dedicated state regulator.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The focus of the Committee's work during the Interim was worker's compensation insurance in Indiana.

The Committee studied data related to cost containment with respect to worker's compensation medical payments. Hospital charges were the focus of this study.

The Committee also reviewed data comparing Indiana's worker's compensation benefit payments for injured employees to payments in other states.

The Committee finds that its study of worker's compensation insurance issues during this Interim provided the members with a better understanding of these issues, which should help the members in their work toward resolution of the issues.

The Committee makes no recommendations.

WITNESSLIST

Steve Buyer, Reynolds American
Abel Contreras, Consolidated Insurance Services, Inc.
Ronald Cooper, Indiana Compensation Rating Bureau
Rob Damler, Milliman
Trevor Davis, FAIRPAY Solutions
Lars Erik, Swedish Match
Linda Hamilton, Worker's Compensation Board of Indiana
Tim Kennedy, Indiana Hospital Association
Mike Ripley, Indiana Chamber of Commerce
Ed Roberts, Indiana Manufacturers Association
Brad Rodu, University of Louisville
Seema Verma, Family and Social Services Administration
Marty Wood, Insurance Institute of Indiana